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Proposed programme budget for the biennium 2012-2013

Internal oversight: proposed programme budget for the biennium 2012-2013

Report of the Independent Audit Advisory Committee

Summary

The present report reflects the comments, advice and recommendations of the Independent Audit Advisory Committee on the Office of Internal Oversight Services proposed programme budget for the biennium 2012-2013.

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I. Introduction

1. The Independent Audit Advisory Committee has undertaken a review of the proposed programme budget for the Office of Internal Oversight Services (OIOS) for the biennium 2012-2013 in accordance with paragraph 2 (d) of its terms of reference (see resolution 61/275, annex). The Committee's responsibility in this respect is to review the budget proposal of OIOS, taking into account its workplan, and to make recommendations to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions. The present report contains the Committee's comments, advice and recommendations relating to the OIOS proposed programme budget for the biennium 2012-2013 for consideration by the Advisory Committee and the Assembly.

2. The Programme Planning and Budget Division of the Department of Management provided the Committee with the internal oversight section of the proposed programme budget for the biennium 2012-2013 as well as relevant supplementary information. OIOS also provided supplementary information relating to its budget proposal, which the Committee took into consideration. At its fourteenth session, held from 12 to 13 April 2011, the Committee allocated a significant proportion of its agenda to discussions with OIOS, as well as the Controller, on the OIOS budget.

3. The Committee would like to acknowledge the efforts of the Programme Planning and Budget Division in expediting the preparation of the internal oversight section of the budget for review by the Committee. The Committee also appreciates the cooperation and responsiveness on the part of OIOS in providing information for the preparation of the present report.

II. Review of the proposed programme budget for the Office of Internal Oversight Services for the biennium 2012-2013

4. The projected resources for OIOS for the biennium 2012-2013, from the regular budget, other assessed and extrabudgetary funds combined, total $110,480,000, compared with $105,547,800 for 2010-2011, which is an increase of 4.7 per cent. The Committee noted that, while the total budget had increased overall, other assessed and extrabudgetary components had increased by higher rates of 6.4 and 7.7 per cent, respectively, from $51,309,200 and 15,313,600 for 2010-2011 to an estimated $54,584,300 and 16,494,200 for 2012-2013. This had been, due in large part to the proposed increase in the budget of OIOS under the support account for peacekeeping operations for 2011/12 (see table 1).

Table 1

(Thousands of United States dollars)

Component	2008-2009 expenditure	Percentage share	2010-2011 appropriation	Percentage share	2010-2013 estimate	Percentage share	Resource growth: As a percentage of 2008-2009 expenditure	Resource growth: As a percentage of appropriation 2010-2011
Regular budget	**34 940.7**	**38.9**	**38 925.0**	**36.9**	**39 401.5**	**35.7**	**12.8**	**1.2**
Other assessed	**45 064.3**	**50.2**	**51 309.2**	**48.6**	**54 584.3**	**49.4**	**21.1**	**6.4**
Services in support of:								
International Criminal Tribunal for Rwanda	644.1	0.7	1 072.6	1.0	861.3	0.8	33.7	(19.7)
International Tribunal for the Former Yugoslavia	526.8	0.6	643.8	0.6	725.6	0.7	37.7	12.7
Capital Master Plan	649.1	0.7	923.1	0.9	850.1	0.8	31.0	(7.9)
Peacekeeping operation activities	43 244.3	48.2	48 669.7	46.1	52 147.3	47.2	20.6	7.1
Extrabudgetary	**9 711.1**	**10.8**	**15 313.6**	**14.5**	**16 494.2**	**14.9**	**69.8**	**7.7**
United Nations organizations	6 848.2	7.6	12 294.4	11.6	13 360.2	12.1	95.1	8.7
Support for extrabudgetary substantive activities	2 525.1	2.8	2 412.1	2.3	2 475.9	2.2	(1.9)	2.6
Technical cooperation activities	337.8	0.4	607.1	0.6	658.1	0.6	94.8	8.4
Total	**89 716.1**	**100**	**105 547.8**	**100**	**110 480.0**	**100**	**23.1**	**4.7**

Note: Budget figures are based on documents A/64/6 (Sect. 30) and A/66/6 (Sect. 31) and the relevant supplementary information.

5. The proposed programme budget for OIOS for the biennium 2012-2013 (regular budget) is estimated at $39,025,300 (before recosting), which is an increase of $100,300, or 0.3 per cent ($476,500, or 1.2 per cent after recosting), compared with the revised appropriation for the biennium 2010-2011. Comparison between the 2010-2011 and 2012-2013 bienniums in the present report uses values before recosting, which excludes estimated increases owing to inflation and currency fluctuations, in order to facilitate comparison of the base budget.

6. Table 2 presents the regular budget proposal for OIOS for the biennium 2012-2013 as compared with the appropriation/actual expenditure for the biennium 2008-2009 and appropriation for the biennium 2010-2011.

Table 2

(Thousands of United States dollars)

	2008-2009				Variance (percentage)		
	Appropriation	*Expenditure*	*2010-2011 appropriation*	*2012-2013 proposed budget (before recosting)*	*2012-2013 compared with 2008-2009: appropriation*	*2012-2013 compared with 2008-2009: expenditure*	*2012-2013 compared with 2010-2011: appropriation*
A. Executive direction and management	**2 321.9**	**1 963 .5**	**2 403.0**	**2 662.0**	**14.6**	**35.6**	**10.8**
B. Programme of work	**32 846.5**	**30 965.4**	**33 901.1**	**33 727.4**	**2.7**	**8.9**	**(0.5)**
Subprogramme 1. Internal audit	14 790.3	13 977.5	15 522.7	15 385.7	4.0	10.1	(0.9)
Subprogramme 2. Inspection and evaluation	7 933.5	7 567.7	7 078.8	7 240.1	(8.7)	(4.3)	2.3
Subprogramme 3. Investigations	10 122.7	9 420.2	11 299.6	11 101.6	9.7	17.8	(1.8)
C. Programme support costs	**2 314.3**	**2 011.8**	**2 620.9**	**2 635.9**	**13.9**	**31.0**	**0.6**
Total	**37 482.7**	**34 940.7**	**38 925.0**	**39 025.3**	**4.1**	**11.7**	**0.3**

Note: Budget figures are based on documents A/64/6 (Sect. 30) and A/66/6 (Sect. 31) and the relevant supplementary information.

7. The 0.3 per cent increase in the budget compared with the 2010-2011 biennium is mainly in executive direction and management, where the creation of a post at the level of Assistant Secretary-General is proposed. In addition to the creation of the new post, OIOS has proposed the conversion of 6 posts (in subprogramme 2, Inspection and evaluation) funded from general temporary assistance in the previous biennium. This has resulted in a proposed increase in established posts from 115 to 122. The Committee also noted that, as at 31 March 2011, there continued to be a high vacancy rate in OIOS. **In this respect, the Independent Audit Advisory Committee continues to draw attention to its prior reports regarding vacancies in OIOS and reiterates that particular attention should be paid to filling vacant posts expeditiously.**

A. Executive direction and management

8. The proposed number of posts in the Office of the Under-Secretary-General for Internal Oversight Services for the biennium 2012-2013 calls for 1 additional post at the Assistant Secretary-General level, hence the increase in the proposed budget of approximately 10.8 per cent compared with the biennium 2010-2011. The Independent Audit Advisory Committee was informed that the new post of Assistant Secretary-General will be used to support the Office of the Under-Secretary-General in carrying out the duties of the Office, including its overall departmental strategy, intradepartmental cooperation initiatives, monitoring of divisional activities, and day-to-day operational and administrative responsibilities. **The Committee sees merit in the provision of support to the Under-Secretary-General in the overall departmental strategy, intradepartmental cooperation initiatives, monitoring of**

divisional activities, and operational and administrative responsibilities of the Office.

B. Programme of work

Subprogramme 1
Internal audit

9. The proposed programme budget for subprogramme 1, Internal audit, for the biennium 2012-2013 is $15,385,700 (before recosting). This amount represents a net decrease of $137,000, or 0.9 per cent, compared with the appropriation of $15,522,700 for the biennium 2010-2011. The Committee notes that the post requirements for internal audit have remained unchanged at 48. The decrease in the total budget ($137,000) was due to a reduction in the non-post requirements.

10. The Committee held extensive discussions with OIOS on its risk-based audit work planning process to ascertain how the internal audit workplan is taken into account in determining the level of resources required to deliver the programme of work. Using risk assessments to prioritize and allocate audit resources is a best practice that the Committee supported in its previous reports on the budget for OIOS. In the light of the current financial environment, the Committee has continued to press OIOS to review and refine its risk-based workplan assumptions in order to determine how best to utilize the available resources.

11. The Independent Audit Advisory Committee was informed that, in the preparation of the internal audit workplan for 2012-2013, the Division had identified the top organizational risks that might hinder the achievement of its objectives, the possible causes of such risks and the related key controls with a view to prioritizing audit assignments for 2012-2013. In response to the Committee's enquiry, OIOS indicated that the top-risks model being employed was based on inherent risks. The Committee has previously expressed its concern that the identification of inherent risks will provide an overly conservative estimate of the level of risks in an organization, and, while this approach may be acceptable for prioritizing the use of existing resources, it would not be appropriate or practical as a basis for proposing the total level of resource requirements. The Committee was informed that the audit of the key controls being proposed was aimed at eventually guiding OIOS in the articulation of residual risk. **The Independent Audit Advisory Committee therefore continues to look forward to a systematic assessment of residual risk in order to better assess the overall level of resources allocated to OIOS and to enhance the determination of the audit assignments within the available level of resources.**

12. **The Independent Audit Advisory Committee acknowledges that the audit of key controls should lead to the determination of the residual risks faced by the Organization, and thus supports the proposal as contained in the budget for OIOS. In the meantime, the Committee looks forward to receiving future budgets based on residual risk.**

13. Notwithstanding the fact that the current workplan was not yet a reliable determinant for internal audit resource requirements, the Committee reviewed and accepted the assurance of OIOS that the prioritization in the audit workplan would address the highest risks in the Organization. On the basis of its workplan, OIOS

proposes to produce up to 450 audit reports for programme managers during the biennium (up from the 400 planned for the biennium 2010-2011.) **The Independent Audit Advisory Committee recognizes the level of productivity reflected in the number of internal audit reports and reiterates its prior recommendation that all OIOS divisions, including the Internal Audit Division, show the value of the services delivered to the Organization by reporting on the achievement of results.**

Subprogramme 2
Inspection and evaluation

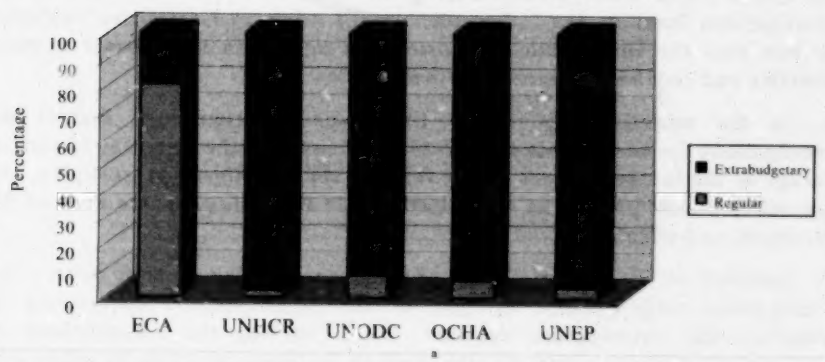
14. The proposed programme budget for the inspection and evaluation subprogramme amounts to $7,240,100 (before recosting), representing a net increase of $161,300, or 2.3 per cent, compared with the appropriation of $7,078,800 for the biennium 2010-2011. The net increase in the number of established posts from 19 to 26 reflects the proposed conversion of 6 general temporary assistance positions to established posts (3 P-3 and 3 P-2) in support of the heightened focus on inspection and evaluation. The effect on the budget for inspection and evaluation is an increase of $1,215,700 under post cost related primarily to the delayed impact of 3 new posts (1 D-1, 1 P-2 and 1 General Service (Other level)) established in the biennium 2010-2011 and the proposed conversion to established posts of 6 general temporary positions. The increase is offset in part by a decrease of $1,054,450 in requirements under non-post categories broadly related to general temporary assistance, as a result of the proposed conversion of 6 positions to established posts, and by reduced requirements under various non-post items.

15. The Independent Audit Advisory Committee was informed of the decision to reduce the evaluation cycle from 11-13 years to 8 years, as approved by the Committee for Programme and Coordination in the strategic framework for the period 2012-2013 and by the General Assembly in its resolution 65/244. In the view of OIOS, an eight-year cycle of programme evaluation covering all 27 programmes is necessary to provide the Secretary-General and the Assembly with comprehensive programme-level evaluations on each of the programmes within a reasonable time frame. OIOS also explained to the Committee that all the high-risk and the upper range of medium-risk programmes would be covered by the evaluation workplan over the next four years. In addition, all programmes will be subject to an inspection of their monitoring and evaluation systems during the same four-year cycle. This will ensure that the programme's performance and self-evaluation reports are adequate and credible.

16. In its previous report (A/64/86), the Independent Audit Advisory Committee had recommended that OIOS review the 2010 inspection and evaluation workplan to include the high-risk subprogrammes of entities that were not planned as full programme evaluations. Subsequently, the Committee received an explanation from OIOS indicating that risk assessment at the subprogramme level was not feasible. The Committee concurred with that argument, but continues to reiterate that risk assessment at the programme level is important to permit the effective allocation of resources. The Committee notes that the Inspection and Evaluation Division continues to take into account the risk assessment for the various programmes in determining the evaluation workplan.

17. After reviewing the budget submission from the Inspection and Evaluation Division, the Independent Audit Advisory Committee also noted that, with the exception of the Economic Commission for Africa, all the programmes to be evaluated during the biennium 2012-2013 were funded mainly from extrabudgetary sources (see the figure below, which is based on the proposed budget for the biennium 2010-2011). In the light of General Assembly resolution 50/214 and paragraph 115 of the related report of the Advisory Committee on Administrative and Budgetary Questions (A/50/7), which indicated that extrabudgetary activities should not subsidize regular budget activities and vice versa, it was noted in the relevant report of the Secretary-General (A/66/6 (Sect. 31)) that the Division would seek funding for the evaluation of such programmes from the respective departments/programmes. In fact, the Independent Audit Advisory Committee noted that the Internal Audit Division was receiving funding from extrabudgetary sources under the existing arrangement. The Committee was informed that OIOS would face difficulties in approaching individual programmes for funding for the evaluation of their activities.

Ratio of regular to extrabudgetary resources of Inspection and Evaluation Division clients to be evaluated during the biennium 2012-2013



[a] The extrabudgetary resources of the Office for the Coordination of Humanitarian Affairs do not include the grants provided through the Trust Fund for Disaster Relief Assistance and the Central Emergency Response Fund.

18. **The Committee notes that until now, the clients of the Inspection and Evaluation Division have been entities funded mainly from regular or other assessed budgets. In the light of annex I to the report of the Secretary-General on the strengthening of OIOS (A/61/810), paragraph 40 of the related report of the Advisory Committee on Administrative and Budgetary Questions (A/61/880) and paragraph 3 of part III of General Assembly resolution 61/275, which called for revised funding arrangements for OIOS, the Independent Audit Advisory Committee believes that the issue of funding, including that of the evaluation of programmes funded from extrabudgetary resources, needs to be revisited.**

Subprogramme 3
Investigations

19. The proposed programme budget for subprogramme 3, Investigations, for the biennium 2012-2013 amounts to $11,101,600 (before recosting), representing a net decrease of $198,000, or 1.8 per cent, compared with the appropriation of $11,299,600 for the biennium 2010-2011. While the number of posts requested remains unchanged at 35, the costs associated with those posts have increased by $59,900, reflecting the impact of the proposed redeployment of 5 posts. The net decrease in the overall resource requirements is attributed to the reduction in the non-post requirements.

20. According to OIOS, the workplan for investigations is defined in large part by the need to strengthen the investigations function while maintaining the current level of productivity without any material increase in staff resources. The investigations workplan comprises three parts: the investigations caseload (which is largely demand-driven), internal projects to strengthen the investigations function, and management and administrative tasks. According to information provided by OIOS, although the number of cases pending investigation has remained constant (approximately 250 since 2008), the number of cases submitted for investigation has shown a declining trend, decreasing from a high of more than 400 in 2006 to less than 150 in 2010. **While acknowledging the somewhat reactive nature of the investigations function, the Independent Audit Advisory Committee welcomes the fact that the Investigations Division has agreed to incorporate a more proactive and risk-based approach into its workplan.**

21. **In the meantime, given that the proposed programme budget for investigations for the biennium 2012-2013 is based on the five-year historical average of the intake of cases rather than on the investigations workplan, the Committee cannot provide an overall assurance as to the proposed level of the investigations budget.**

22. Included in the budget is the proposal to redeploy 5 posts within the investigations subprogramme as part of the organizational restructuring to strengthen the investigations function. OIOS justified the redeployment of investigations staff by citing: (a) the need to facilitate its effort to effectively address the remaining caseload of the Procurement Task Force, which had been transferred to the Investigations Division at the beginning of 2009; (b) less demand for procurement investigations in Nairobi; (c) the demand for investigation reports of higher quality and post-investigation support expected from the new system for the administration of justice; and (d) the need to strengthen the work of the Forensic Unit. **In principle, as stated in its previous reports (A/62/814 and Add.1, A/63/703 and A/64/86), the Independent Audit Advisory Committee continues to support the restructuring proposed by OIOS.**

C. Programme support

23. The proposed budget for programme support for the biennium 2012-2013 amounts to $2,635,900 (before recosting). That amount represents a net increase of $15,000, or 0.6 per cent, compared with the appropriation of $2,620,900 for the biennium 2010-2011. The number of posts remains unchanged at eight. The increase in non-post resources is attributable mainly to the increased cost of the contractual

services, due mainly to the network access fees related to the AutoAudit and Issue Track applications, and common support services to support the increased number of posts redeployed to New York from Vienna and Nairobi. Common support services are budgeted at each duty station; for the posts at Headquarters, the costs are centrally managed under programme support.

24. **Given the fact that OIOS has yet to complete a fully risk-based plan or adequately demonstrate the value-added component of its services, together with the fact that there are a significant number of vacancies in OIOS, and considering the budget pressures being experienced by the United Nations, the Independent Audit Advisory Committee would not object if the General Assembly decided to subject OIOS to the same across-the-aboard budget cuts as other United Nations entities. However, consistent with the concept of operational independence, the Committee believes that the Under-Secretary-General for Internal Oversight Services should be permitted to exercise discretion as to how to allocate any such cuts.**

III. Conclusion

25. The members of the Independent Audit Advisory Committee respectfully present the present report containing its comments and recommendations for consideration by the General Assembly.

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Chair, Independent Audit Advisory Committee

(*Signed*) John F. S. **Muwanga**
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